

FUND FOR RESTORATION OF MULTI-FAMILY HOUSING (FRM) – PROGRAM GUIDELINES

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Amended: June 2013
Amended: July 2013
Amended: August 2013
Amended: December 2013
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Please Take Notice:

These guidelines may be amended from time to time due to changes in New Jersey Department of Community Affairs's Community Development Block Grant Disaster Recovery Action Plan (the "Action Plan"). Such amendments may occur without notice and are applicable to all pending and future applications. Applicants are, therefore, responsible for contacting the New Jersey Housing and Mortgage Finance Agency (the "Agency") to ascertain whether or not there have been any changes since the date of these guidelines and for complying with such changes.

	FRM Guidelines
PROGRAM OVERVIEW	The Fund for Restoration of Multi-Family Housing ("FRM") offers subsidies in the form of loans to developers of eligible affordable and mixed-income rental housing in the State of New Jersey (the "State"). This program will be funded with Community Development Block Grant-Disaster Relief ("CDBG-DR") monies appropriated pursuant to the Disaster Relief Appropriations Act of 2013 (Public Law 113-2, approved January 29, 2013) (the "Disaster Relief Act"). The Agency will receive the CDBG-DR funding from the New Jersey Department of Community Affairs ("DCA"). The FRM program lets developers apply directly to the Agency for needed subsidies while simultaneously applying for low-interest mortgage financing and Federal Low Income Housing Tax Credits ("LIHTCs") made available through the Agency.
1. Eligible Applicants	Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing large multi-family housing developments.
2. Eligible Project Locations	The projects must help replenish the supply of affordable rental units lost in the nine most impacted counties (Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union Counties).
3. Eligible Types of Projects	<p>In all cases, eligible projects must be rental projects in which some or all of the units are affordable to low/moderate income households. Development may include new construction, conversion of vacant commercial/industrial buildings, substantial rehabilitation of uninhabitable dwellings for affordable housing.</p> <p>FRM subsidy loans are available to projects receiving LIHTCs allocated by the Agency, both 9% and 4% LIHTC projects are eligible, as well as multifamily revenue bonds, conduit bonds and stand-alone (CDBG funds only) financing.</p>
4. Selection Criteria	<ul style="list-style-type: none"> • Located within one of the 9 most impacted and distressed counties - 25 points • Readiness to Proceed – Start of construction and/or closing with lender or syndicator within 90 days of award - 25 points • Deep Affordability (at least 10% of units are at or below 30% AMI) – 15 points • County/Municipal/Local PHA Support in compliance with N.J.A.C. 5:80-33.15 (a) 4 - 10 points • Minimum of 5% Supportive Housing Units - 10 points

	<p style="text-align: center;">FRM Guidelines</p> <ul style="list-style-type: none"> • Mixed Income (minimum 20% affordable) - 10 points • CDBG Efficiency (requesting less than the per unit maximum) – 10 points <p>Applicants must score at least 55 points to be eligible for FRM subsidy funds. The FRM subsidy funds will be awarded as follows:</p> <p style="padding-left: 40px;">9% projects: score high enough to win tax credits 4% and stand-alone (CDBG funds only) projects: pipeline</p>
<p>5. Priority for 4% Tax Credits & Stand Alone projects in Most Impacted Municipalities (See attached list of Municipalities)</p>	<ul style="list-style-type: none"> a. First come first served b. Use best efforts to maintain 40/60. Forty percent of the funds in the set-aside shall be made available to impacted communities in Targeted Urban Municipalities and the remaining funds shall be allocated to impacted communities in the remainder of the State, provided the Agency receives a sufficient number of eligible applications from areas outside of Targeted Urban Municipalities to result in these allocation percentages. c. Maximum Subsidy Loan per unit is \$120,000 d. Use best efforts to maintain senior/family split. Not less than 50% of the funds in the set-aside will be available to family projects provided the Agency receives a sufficient number of eligible applications from family projects to result in these allocation percentages e. Applications due September 1, 2013 f. Commitment deadline is November 27, 2013 g. No less than \$25 million in CDBG-DR funding allocated to FRM will be set-aside.
<p>6. Subsidy Loan Amounts</p>	<p>Subject to availability of funds.</p> <p>The maximum FRM subsidy per unit loan amounts shall not exceed \$90,000 for 9% Low Income Housing Tax Credit projects; \$120,000 for 4% Low Income Housing Tax Credit projects; and \$120,000 for stand- alone projects.</p> <p>FRM subsidy loan amounts will be approved only after documentation of other sources of funding have been identified in accordance with Duplication of Benefits provisions of the federal Stafford Act. CDBG subsidy loan amounts cannot exceed the amount needed after other assistance for the project has been considered. Other assistance includes FEMA, Small Business Administration, insurance, and other assistance received or reasonably expected to be received for the project.</p>
<p>7. Types of Available Funding</p>	<p>All Funds for FRM subsidy funding will be provided to projects in the form of loans.</p> <p><u>Loan types:</u></p> <ul style="list-style-type: none"> (1) Construction loans (2) Construction loans which convert to permanent financing; (3) Permanent loans for take-out financing. <p>If needed, other loan types such as conditional bridge loans may be authorized to ensure project feasibility.</p>

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8. Agency Mortgage Required	In the event any permanent mortgage debt is needed for any project funded by FRM subsidy loan, the first mortgage loan must be an Agency-provided permanent mortgage loan.
9. Financing Term	Unless otherwise authorized, the financing term of FRM subsidy loan shall equal that of the Agency mortgage financing and/or the LIHTC requirement, whichever is applicable.
10. Security, Collateral and Lien Status	Each FRM subsidy loan shall be secured by a note and mortgage. A FRM subsidy loan may take a subordinate position behind other lenders only where either: (a) the project is receiving no Agency financing; or (b) in the case of an Agency conduit bond financing.
11. Mortgage Interest Rate	FRM subsidy loan provided during construction shall be at a 0% interest rate. FRM subsidy permanent loans shall be provided at a 1% interest rate compounded annually.
12. Cash Flow Repayments	No interest shall begin accruing until the amortization date of April 2016. Repayment of a FRM subsidy loan for any project shall occur annually and shall equal to 50% of available cash flow (or 25% of cash flow for SNHTF Projects) remaining after the payment of operating expenses, required reserves and amortized mortgage debt service and at the earlier of 10 years or the payment of the deferred developer's fee. Upon maturity of the loan or upon expiration of the affordability controls, whichever comes first, the balance of any unpaid principal balance, together with all accrued interest thereon, shall become due and payable. Any deferred developer fee may be taken by the developer as return on investment, but only after the applicable FRM subsidy loan repayment requirements have been met. The Agency will require the developer to submit annual financial statements to document the project's available cash flow.
13. Debt Service Coverage Ratio	Projected cash flow repayments of FRM subsidy loans shall not be included when calculating the debt service coverage ratio for multifamily mortgage financing and/or for LIHTCs. However, in all cases, the maximum mortgage supportable at a minimum of 1.15 debt service ratio must be obtained before FRM subsidy loan amounts will be determined.
14. Other Underwriting	Projects funded by FRM subsidy loans must meet the requirements of the Agency multifamily underwriting guidelines and/or the LIHTC program, as applicable.
15. Other Requirements	The project sponsor shall ensure that the project shall comply with all applicable federal and/or State statutory and regulatory requirements concerning, but not limited to, environmental review, fair housing, Section 3 of the Housing and Urban Development Act of 1968 compliance, compliance with the Davis-Bacon Act as well as all other labor standards provisions, and equal opportunity requirements and compliance with the Office of Management and Budget ("OMB") Circular A-87, program income, and other CDBG-DR financial requirements. Compliance with the Housing Resource Center registration requirements as well as priority for FEMA registrants or other evidence of displacement during the 1 st 3 months of lease-up.
16. Other Junior Financing and Subordinate Debt	Projects funded by FRM subsidy loan must meet the requirements of the Agency multifamily underwriting guidelines and/or the LIHTC program, as applicable.

	FRM Guidelines
17. Project Fees	<p>Maximum limitations on the contractor fee and/or the developer fee shall be those placed on the project by the Agency multifamily underwriting guidelines and/or the LIHTC program.</p> <p>FRM subsidy loan funds shall be reduced to ensure that the non-deferred portion of the developer fee for all projects shall not exceed 8 percent of the total development cost excluding acquisition (that is land and building), working capital, marketing expenses, escrows, operating deficit reserves, step-in-the-shoes costs and costs associated with syndication.</p>
18. Tenant Income Requirements	Projects funded by FRM subsidy funds must meet the requirements of the Agency multifamily underwriting guidelines and/or the LIHTC program, as applicable.
19. Affordability Controls	Any loan agreement entered into for FRM subsidy funds shall incorporate contractual guarantees and procedures to ensure that any unit of housing provided for low and moderate income households shall continue to be occupied by low and moderate income households for at least 5 (five) years.
20. Energy Efficiencies and Green Building Standards	Projects funded by FRM subsidy funds must meet the requirements of the Agency multifamily underwriting guidelines and/or the LIHTC program, as applicable as well compliance with ENERGY STAR (for new construction and reconstruction) or HUD Community Planning and Development (“CPD”) Green Building retrofit checklist (for rehabilitation).
21. Authority to Approve award of Application	The Agency board will approve all awards.
22. LEP Marketing	To ensure access to persons with Limited English Proficiency (LEP), all FRM – funded housing shall be marketed in English and the major foreign languages spoken in the county in which the project is located, as indicated in the attached chart.